

Message Text

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12

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02

OMB-01 SWF-02 DRC-01 /194 W
----- 118736

R 101510Z MAY 74

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 7449

INFO AMEMBASSY BELGRADE

USMISSION BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

USMISSION GENEVA

AMEMBASSY PRAGUE

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY MOSCOW

AMEMBASSY OSLO

USMISSION OECD PARIS

AMEMBASSY SOFIA

AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: ETRD, GATT, HU, FI, XH

SUBJ: FINNISH-HUNGARIAN FREE-TRADE AGREEMENT

REF: A. STATE 094226 (NOTAL)

B. HELSINKI 2262, AUGUST 21, 1973

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1. AGREEMENT ON REMOVAL OF OBSTACLES TO TRADE BETWEEN FINLAND AND HUNGARY WAS SIGNED IN HELSINKI ON MAY 2. ACCORDING TO PRESS REPORTS AGREEMENT IS ROUGHLY SIMILAR TO AGREEMENT SIGNED BY FINLAND AND BULGARIA ON APRIL 26, FIRST OF SUCH FREE-TRADE AGREEMENTS WITH EASTERN EUROPEAN COUNTRIES. THE USSR ENJOYS DUTY-FREE ACCESS TO FINLAND FOR MOST MANUFACTURED GOODS AND SOME AGRICULTURAL PRODUCTS, DATING BACK TO FINLAND'S ACCESSION TO EFTA, WHEN FINLAND EXTENDED MATCHING TARIFF CONCESSIONS TO THE USSR.

2. EMBASSY HAS JUST OBTAINED ENGLISH LANGUAGE COPY OF FINNISH-HUNGARIAN AGREEMENT. IT IS TITLED "AGREEMENT BETWEEN THE REPUBLIC OF FINLAND AND THE HUNGARIAN PEOPLE'S REPUBLIC ON THE RECIPROCAL REMOVAL OF OBSTACLES TO TRADE." IT WILL COME INTO FORCE THE FIRST DAY OF THE SECOND MONTH FOLLOWING THE EXCHANGE OF INSTRUMENTS OF RATIFICATION. THE PREAMBLE, INTER ALIA, ATTESTS TO THE DESIRE OF THE TWO COUNTRIES TO SOLVE "IN A FAIR AND EQUAL WAY THE PROBLEMS ARISING FROM THE CONTEMPORARY EUROPEAN ECONOMIC INTEGRATION PROCESSES TO THE COMMERCIAL AND ECONOMIC RELATIONS" BETWEEN THE TWO COUNTRIES AND "TO THIS END TO ELIMINATE PROGRESSIVELY THE OBSTACLES TO SUBSTANTIALLY ALL THEIR TRADE, IN ACCORDANCE WITH THE PROVISIONS OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE CONCERNING THE ESTABLISHMENT OF FREE TRADE AREAS."

3. THE AGREEMENT WITH HUNGARY COVERS PRODUCTS "WHICH FALL WITHIN CHAPTERS 1 TO 24 OF THE BRUSSELS NOMENCLATURE," AND WHICH ARE LISTED IN PROTOCOL NO. 1 TO THE AGREEMENT (THESE ARE AGRICULTURAL PRODUCTS PLUS CERTAIN FISH PRODUCTS) AND "WITHIN CHAPTER 25 TO 99 OF THE BRUSSELS NOMENCLATURE."

4. IN GENERAL, CUSTOMS DUTIES BETWEEN THE TWO COUNTRIES ARE TO BE REDUCED ON JAN. 1, 1975, TO 40 PERCENT OF THE CURRENT BASIC DUTY. TWO FURTHER REDUCTIONS OF 20 PERCENT EACH ARE TO BE MADE ON JAN. 1 IN 1976 AND 1977. HOWEVER, PROTOCOL NO. 2 TO THE AGREEMENT LISTS A NUMBER OF NON-AGRICULTURAL PRODUCTS FOR WHICH DUTY REDUCTION SCHEDULE

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IS MORE GRADUAL, ONLY REACHING ZERO PERCENT ON JANUARY 1, 1985. PROTOCOL NO. 3 IS A 44-PAGE SECTION ON THE RULES OF ORIGIN PERTAINING TO AGREEMENT.

5. COPIES OF FINNISH AGREEMENTS WITH BOTH HUNGARY AND BULGARIA ARE BEING AIRPOUCHED TO THE DEPARTMENT AND GENEVA. FINLAND IS AT PRELIMINARY STAGE OF NEGOTIATIONS FOR FREE-TRADE AGREEMENTS WITH POLAND AND CZECHOSLOVAKIA

AND HAS HAD INFORMAL DISCUSSIONS WITH EAST GERMANY CONCERNING POSSIBLE AGREEMENT. ALTHOUGH FINLAND INDICATED WILLINGNESS IN CONNECTION WITH ITS ASSOCIATION AGREEMENT WITH THE EEC TO CONCLUDE FREE-TRADE AGREEMENTS WITH ALL THE EUROPEAN SOCIALIST COUNTRIES, NEITHER RUMANIA NOR YUGOSLAVIA APPEAR TO HAVE ANY CURRENT INTEREST IN BEGINNING NEGOTIATIONS. AS WAS REPORTED IN HELSINKI'S 2262 LAST AUGUST, FINLAND CAN AFFORD TO BE GENEROUS IN EXTENDING MFN TREATMENT TO MOST OF THE EAST EUROPEAN CEMA COUNTRIES AND IN ACCEPTING MINIMAL CONCESSIONS IN RETURN, SINCE THESE COUNTRIES TOGETHER ACCOUNT FOR ONLY ABOUT 4 PERCENT OF TOTAL FINNISH IMPORTS. COAL FROM POLAND COMPRISES ONE-FIFTH OF THIS AND MOST OTHER IMPORTS, OF RAW MATERIALS, FOODSTUFFS AND SEMI-MANUFACTURES, DO NOT COMPETE DIRECTLY WITH FINNISH PRODUCTS. AT LEAST INITIALLY MOST IMPORTANT FUNCTION OF THESE FREE-TRADE AGREEMENTS WITH EAST EUROPEAN COUNTRIES IS POLITICAL- THAT IS AS COUNTERWEIGHT TO FINNISH ASSOCIATION AGREEMENT LAST NOVEMBER WITH EEC, WHICH WILL ULTIMATELY HAVE SIGNIFICANT ECONOMIC IMPACT.

KREHBIEL

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Message Attributes

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